



**Independent Auditor's Reports and  
Primary Government Financial Statements  
with Supplemental Information**

**September 30, 1998**

**MOSS ADAMS LLP**

QUINULT INDIAN NATION  
(Component Units Not Included)  
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September 30, 1998

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## INDEPENDENT AUDITOR'S REPORT

To the Business Committee Members  
Quinault Indian Nation

We have audited the accompanying primary government financial statements of Quinault Indian Nation as of September 30, 1998 and for the year then ended. These financial statements are the responsibility of Quinault Indian Nation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Quinault Indian Nation as of September 30, 1998, and the results of its operations and the cash flows of its fiduciary fund types for the year then ended, in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of component units of Quinault Indian Nation, do not purport to, and do not, present fairly the financial position of Quinault Indian Nation as of September 30, 1998, and the results of its operations and the cash flows of its component units for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued report dated February 17, 1999 on our consideration of Quinault Indian Nation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The schedule of expenditures of federal and non-federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The schedule and other information presented on pages 25 through 32 are presented for purposes of additional analysis and are not a required part of the primary government financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the primary government financial statements, and in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

*Moss Adams LLP*

Bellingham, Washington  
February 17, 1999

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QUINAULT INDIAN NATION  
(Component Units Not Included)  
COMBINED BALANCE SHEET - ALL FUND  
TYPES AND ACCOUNT GROUPS  
September 30, 1998

	Governmental Fund Types		Fiduciary Fund	Account Groups		Totals
	General	Special Revenue	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,899,802	\$ -	\$ 520,722	\$ -	\$ -	\$ 2,420,524
Investments	2,712,470	-	583,706	-	-	3,296,176
Investments held in trust	-	-	2,078,523	-	-	2,078,523
Receivables						
Due from other funds	31,135,459	1,142,398	74,831	-	-	32,352,688
Contracts and grants	-	1,765,884	-	-	-	1,765,884
Due from component units	2,693,493	-	1,885	-	-	2,695,378
Other	634,794	-	2,683	-	-	637,477
Total receivables	<u>34,463,746</u>	<u>2,908,282</u>	<u>79,399</u>	<u>-</u>	<u>-</u>	<u>37,451,427</u>
Prepaid expenses	252,523	-	-	-	-	252,523
Property and equipment, net	-	-	25,872,231	38,901,258	-	64,773,489
Amount to be provided for long-term debt	-	-	-	-	5,353,234	5,353,234
<b>TOTAL ASSETS</b>	<u>\$ 39,328,541</u>	<u>\$ 2,908,282</u>	<u>\$ 29,134,581</u>	<u>\$ 38,901,258</u>	<u>\$ 5,353,234</u>	<u>\$ 115,625,896</u>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 2,645,004	\$ -	\$ -	\$ -	\$ -	\$ 2,645,004
Due to other funds	1,217,230	-	31,135,458	-	-	32,352,688
Due to component units	1,987,011	-	1,782,231	-	-	3,769,242
Due to federal agencies	332,828	-	-	-	-	332,828
Deferred revenue	-	2,908,282	201,956	-	-	3,110,238
Deferred retirement benefits 401(k)	-	-	2,155,239	-	-	2,155,239
Deferred compensation payable	-	-	529,596	-	-	529,596
Compensated absences	-	-	-	-	229,863	229,863
Long-term debt	-	-	-	-	5,123,371	5,123,371
<b>TOTAL LIABILITIES</b>	<u>6,182,073</u>	<u>2,908,282</u>	<u>35,804,480</u>	<u>-</u>	<u>5,353,234</u>	<u>50,248,069</u>
<b>FUND EQUITY</b>						
Investment in general fixed assets	-	-	-	38,901,258	-	38,901,258
Fund deficit	-	-	(6,669,899)	-	-	(6,669,899)
Fund balances:						
Reserved	31,124,962	-	-	-	-	31,124,962
Unreserved - Undesignated	2,021,506	-	-	-	-	2,021,506
<b>TOTAL FUND EQUITY (DEFICIT)</b>	<u>33,146,468</u>	<u>-</u>	<u>(6,669,899)</u>	<u>38,901,258</u>	<u>-</u>	<u>65,377,827</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 39,328,541</u>	<u>\$ 2,908,282</u>	<u>\$ 29,134,581</u>	<u>\$ 38,901,258</u>	<u>\$ 5,353,234</u>	<u>\$ 115,625,896</u>

See accompanying notes to these financial statements.

QUINULT INDIAN NATION  
(Component Units Not Included)  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES**  
Year Ended September 30, 1998

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals (Memorandum Only)
<b>REVENUES</b>				
Contracts and grants	\$ -	\$ 15,341,912	\$ 3,251,813	\$ 18,593,725
Indirect costs reimbursed	5,156,756	-	-	5,156,756
Timber sales	1,820,459	-	-	1,820,459
Patient services	-	822,596	-	822,596
Investment income	742,032	-	-	742,032
Casino administration	333,977	-	-	333,977
Other	121,228	86,756	-	207,984
Use allowance	166,028	-	-	166,028
Licenses and permits	79,982	-	-	79,982
Taxes and fines	65,581	-	-	65,581
Gravel sales	49,845	-	-	49,845
Lease	20,944	-	-	20,944
Total revenues	8,556,832	16,251,264	3,251,813	28,059,909
<b>EXPENDITURES</b>				
Current				
Health and welfare	778,882	6,113,293	-	6,892,175
Natural resource development	688,876	6,116,129	-	6,805,005
General government	3,970,596	243,197	-	4,213,793
Public safety	90,084	1,376,029	-	1,466,113
Planning and development	240,673	1,007,921	-	1,248,594
Education	90,106	1,150,267	-	1,240,373
Sanitation	677,694	268,094	-	945,788
Capital outlay	6,157,151	-	3,485,575	9,642,726
Debt principal payments	692,265	-	-	692,265
Total expenditures	13,386,327	16,274,930	3,485,575	33,146,832
<b>EXPENDITURES OVER REVENUES</b>	<b>(4,829,495)</b>	<b>(23,666)</b>	<b>(233,762)</b>	<b>(5,086,923)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	2,581,654	-	-	2,581,654
Operating transfers in	752,331	257,428	233,762	1,243,521
Transfer from general fixed asset account group	649,660	-	-	649,660
Land purchase by North Boundary	506,779	-	-	506,779
Operating transfers out	(257,428)	(233,762)	-	(491,190)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,232,996</b>	<b>23,666</b>	<b>233,762</b>	<b>4,490,424</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(596,499)</b>	<b>-</b>	<b>-</b>	<b>(596,499)</b>
<b>FUND BALANCE, beginning of year</b>	<b>34,392,627</b>	<b>-</b>	<b>-</b>	<b>34,392,627</b>
<b>RESIDUAL EQUITY TRANSFER</b>	<b>(649,660)</b>	<b>-</b>	<b>-</b>	<b>(649,660)</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 33,146,468</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,146,468</b>

See accompanying notes to these financial statements.

QUINULT INDIAN NATION  
(Component Units Not Included)  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES  
Year Ended September 30, 1998

	General Fund			Special Revenue Fund			Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>									
Contracts and grants	\$ -	\$ -	\$ -	\$ 21,607,595	\$ 15,341,912	\$ (6,265,683)	\$ 3,336,403	\$ 3,251,813	\$ (84,590)
Indirect costs reimbursed	5,282,524	5,156,756	(125,768)	-	-	-	-	-	-
Timber sales	249,000	1,820,459	1,571,459	-	-	-	-	-	-
Investment income	400,000	742,032	342,032	-	-	-	-	-	-
Patient services	-	-	-	-	822,596	822,596	-	-	-
Casino administration	-	333,977	333,977	-	-	-	-	-	-
Use allowance	-	166,028	166,028	-	-	-	-	-	-
Taxes and fines	73,000	65,581	(7,419)	-	-	-	-	-	-
Licenses and permits	90,000	79,982	(10,018)	-	-	-	-	-	-
Other	18,000	121,228	103,228	-	86,756	86,756	-	-	-
Gravel sales	-	49,845	49,845	-	-	-	-	-	-
Lease	20,000	20,944	944	-	-	-	-	-	-
<b>Total revenues</b>	<b>6,132,524</b>	<b>8,556,832</b>	<b>2,424,308</b>	<b>21,607,595</b>	<b>16,251,264</b>	<b>(5,356,331)</b>	<b>3,336,403</b>	<b>3,251,813</b>	<b>(84,590)</b>
<b>EXPENDITURES</b>									
Current									
General government	4,010,085	3,970,596	39,489	948,673	243,197	705,476	-	-	-
Natural resource development	725,000	688,876	36,124	8,167,727	6,116,129	2,051,598	-	-	-
Health and welfare	745,369	778,882	(33,513)	7,422,371	6,113,293	1,309,078	-	-	-
Public safety	83,500	90,084	(6,584)	1,541,576	1,376,029	165,547	-	-	-
Planning and development	382,071	240,673	141,398	1,632,439	1,007,921	624,518	3,336,403	-	3,336,403
Education	241,556	90,106	151,450	1,637,221	1,150,267	486,954	-	-	-
Sanitation	551,944	677,694	(125,750)	257,588	268,094	(10,506)	-	-	-
Capital outlay	70,000	6,157,151	(6,087,151)	-	-	-	-	3,485,575	(3,485,575)
Debt principal payments	88,155	692,265	(604,110)	-	-	-	-	-	-
<b>Total expenditures</b>	<b>6,897,680</b>	<b>13,386,327</b>	<b>(6,488,647)</b>	<b>21,607,595</b>	<b>16,274,930</b>	<b>5,332,665</b>	<b>3,336,403</b>	<b>3,485,575</b>	<b>(149,172)</b>
<b>EXPENDITURES OVER REVENUES</b>	<b>(765,156)</b>	<b>(4,829,495)</b>	<b>(4,064,339)</b>	<b>-</b>	<b>(23,666)</b>	<b>(23,666)</b>	<b>-</b>	<b>(233,762)</b>	<b>(233,762)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Loan proceeds	-	2,581,654	2,581,654	-	-	-	-	-	-
Operating transfers in	650,000	752,331	102,331	-	257,428	257,428	-	233,762	233,762
Transfer from general fixed asset account group	-	649,660	649,660	-	-	-	-	-	-
Land purchase by North Boundary	-	506,779	506,779	-	-	-	-	-	-
Operating transfers out	-	(257,428)	(257,428)	-	(233,762)	(233,762)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>650,000</b>	<b>4,232,996</b>	<b>3,582,996</b>	<b>-</b>	<b>23,666</b>	<b>23,666</b>	<b>-</b>	<b>233,762</b>	<b>233,762</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (115,156)</b>	<b>(596,499)</b>	<b>\$ (481,343)</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCE, beginning of year</b>		<b>34,392,627</b>			<b>-</b>			<b>-</b>	
<b>RESIDUAL EQUITY TRANSFER</b>		<b>(649,660)</b>			<b>-</b>			<b>-</b>	
<b>FUND BALANCE, end of year</b>		<b>\$ 33,146,468</b>			<b>\$ -</b>			<b>\$ -</b>	

See accompanying notes to these financial statements.

QUINULT INDIAN NATION  
(Component Units Not Included)  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND FUND EQUITY**  
**FIDUCIARY FUND TYPES**  
Year Ended September 30, 1998

	Non- Expendable Trust Fund
<b>REVENUES</b>	
Timber sales	\$ 1,448,045
Other	<u>29,292</u>
Total revenues	<u>1,477,337</u>
<b>EXPENSES</b>	
Depreciation and depletion	673,239
Planting contracts	522,147
Forest management deductions	128,163
Indirect costs	32,802
Salaries and wages	21,215
Non-capitalized equipment	10,744
Road maintenance	8,821
Fringe benefits	4,915
Taxes and licenses	3,556
Supplies	1,536
Professional fees	1,475
Travel	1,350
Rents and leases	970
Advertising	<u>130</u>
Total expenses	<u>1,411,063</u>
<b>INCOME FROM OPERATIONS</b>	<u>66,274</u>
<b>OTHER INCOME (EXPENSE)</b>	
Interest earned	23,549
Interest expense	(137,495)
Land purchase transferred to general fund	<u>(506,779)</u>
Total other income (expense)	<u>(620,725)</u>
<b>NET LOSS</b>	(554,451)
<b>FUND EQUITY (DEFICIT), beginning of year</b>	<u>(6,115,448)</u>
<b>FUND EQUITY (DEFICIT), end of year</b>	<u>\$ (6,669,899)</u>

*See accompanying notes to these financial statements.*

QUINULT INDIAN NATION  
(Component Units Not Included)  
**COMBINED STATEMENT OF CASH FLOWS**  
**FIDUCIARY FUND TYPES**  
Year Ended September 30, 1998

**CASH FLOWS FROM OPERATING ACTIVITIES**

Income from operations	\$ 66,274
<i>Adjustments to reconcile net operating income (loss)</i> <i>to net cash provided by operating activities:</i>	
Depreciation and depletion	673,239
<i>Changes in operating assets and liabilities</i>	
Deferred revenue	36,997
Due to other funds	<u>223,802</u>
Net cash flows from operating activities	<u>1,000,312</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Interest paid	(137,495)
Land purchase transferred to general fund	(506,779)
Repayment on North Boundary note	<u>(289,637)</u>
Net cash flows from noncapital financing activities	<u>(933,911)</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Purchase of fixed assets	<u>(29,291)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>23,549</u>
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**NET INCREASE IN CASH** 60,659

**CASH AND CASH EQUIVALENTS, beginning of year** 460,063

**CASH AND CASH EQUIVALENTS, end of year** \$ 520,722

*See accompanying notes to these financial statements.*



QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Quinault Indian Nation (the "Nation") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Reporting Entity Oversight Unit - The Quinault Indian Nation is a federally recognized Tribe of American Indians, organized under the Treaty of Olympia 12 statute 971 established by Executive Order dated November 4, 1873. Its current constitution and bylaws were adopted in 1922 and amended March 22, 1975, April 5, 1986 and June 23, 1997. The Nation is governed by an elected eleven member Business Committee.

The Nation has elected to exclude its component units from the reporting entity. These component units have significant operational or financial relationships with the Nation and, as required by generally accepted accounting principles, should be included in the Nation's financial statements.

The following is a brief description of the component units excluded from these financial statements, none of which received federal funds:

*Quinault Land and Timber Enterprises ("QLTE")* - The operations of QLTE include the purchase of timber lands within and near the Quinault Reservation, and harvesting and sales of timber to the domestic market. QLTE has fifty percent ownership in QLTE/QLC, a joint venture which accounts for foreign timber sales for export. QLTE also operates boat moorage and mini-mart sales through the Maritime Resort.

*Quinault Tribal Enterprises ("QTE")* - The operations of QTE include seafood processing and sales through Quinault Pride and Ocean Fresh Seafoods; restaurant and grocery sales through the Taholah Mercantile and the Queets Trading Post; the Forest Products division which holds a small parcel of land; Quinault Cable and Utilities, which provides cable television and utility services to the reservation; and Quinault Credit Office, which makes loans to Tribal members and businesses.

*Quinault Resort ("Resort")* - The Nation has begun construction of a Tribal lodge convention center and related facilities which include a gaming operation. Development costs associated with this project are capitalized in this enterprise.

(b) Basis of Accounting - The Nation prepares its financial statements in accordance with the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Audits of State and Local Governmental Units*. The Nation's governmental fund types report on the modified accrual basis of accounting except for the recognition of income from certain timber sales, interest, Tribal fees, licenses and certain taxes which are reported on the cash basis. Using the modified accrual basis of accounting, revenues

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

are recognized when they become measurable and available as net current assets, and expenditures are recognized when the related fund liability is incurred. Revenues earned from sales of timber to the Quinault Land and Timber Enterprise and its joint ventures is recorded on the accrual method of accounting. The North Boundary fiduciary fund reports on the accrual basis of accounting. Using the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

(c) **Fund Classification** - The accounts of the Nation are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are grouped in the accompanying financial statements into two fund types and two account groups.

**GOVERNMENTAL FUNDS**

*General Fund* - The General Fund is the general operating fund of the Nation. It is used to account for all financial resources except those required to be accounted for in another fund. It includes the indirect cost pool of the Nation.

*Special Revenue Funds* - Special Revenue funds are used to account for the proceeds of specified revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Projects Funds* - Capital Projects funds are used to account for the construction of major capital projects extending beyond one fiscal year and when financing is provided by multiple sources of funds.

**FIDUCIARY FUNDS**

*Nonexpendable Trust Fund - North Boundary fiduciary fund ("North Boundary")* - The Nation's North Boundary fund was created to account for approximately 12,000 acres of land transferred to the Nation by the United States Congress in October 1988. Proceeds from the harvesting of timber from the land, known as the North Boundary property, are restricted for specified purposes (Note 8).

*Agency Fund* - The Agency fund is used to account for assets held by the Nation in a trustee capacity for the Quinault Indian Nation 401(k) Plan and the Quinault Indian Nation Qualified Retirement Trust. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**GENERAL FIXED ASSETS AND LONG-TERM DEBT ACCOUNT GROUPS**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than governmental funds.

QUINAULT INDIAN NATION  
(Component Units Not Included)  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 1998

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, rather than in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

(d) Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less.

(e) Investments - Investments are recorded at fair market value in accordance with Statement 31 of the Governmental Accounting Standards Board.

(f) Due To/From Other Funds - The Nation maintains one general checking account into which substantially all funds are deposited and from which all expenditures are paid. The cash balance is recorded in the general fund. The due from other funds represents the cumulative excess of receipts over disbursements from the general checking account for the special revenue fund. See Note 8 for discussion of amounts due from the North Boundary fund.

(g) Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

The cost of governmental fund type supply items are recorded as expenditures when purchased rather than when consumed.

(h) Fixed Assets and Depreciation - All fixed assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

General fixed assets acquired by governmental fund types are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

The Nation records accumulated depreciation in the general fixed asset account group only for assets purchased with General Fund monies. Assets are depreciated on the straight-line basis over their estimated useful lives (three to twenty-five years).

Depreciation is not recorded in governmental funds, however a use allowance is recorded as an expenditure and as revenue in the General Fund, to account for the Indirect Cost Pool's use of governmental buildings and equipment.

QUINAULT INDIAN NATION  
(Component Units Not Included)  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 1998

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets as applicable.

Assets in the nonexpendable trust fund are depreciated on the straight-line basis over their estimated useful lives (ten to fifty years).

Depletion of timberlands is recorded as timber is harvested and is calculated as a percentage of historical cost allocable to harvested timber.

(i) Deferred Revenue - The Nation recognizes deferred revenue in the special revenue fund to the extent cash receipts from a grant or contract exceed program expenditures.

(j) Compensated Absences - The Nation accrues the cost of unpaid vacation time earned. The General Long-Term Debt Account Group includes \$229,863 of accrued vacation at September 30, 1998. Accrued sick leave is not recorded since the Nation has no legal obligation to pay upon termination.

(k) Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Council.

(l) Budgets - Budgets for the special revenue fund and the capital projects fund represent the aggregate budgets for all grants and contracts. The general fund budget represents the Nation's budgets for the general fund and indirect cost pool.

(m) Total Columns on Combined Statements - Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

	Carrying Balance	Bank Balance
Cash deposited with brokerage houses which is fully insured or collateralized	\$ 237,003	\$ 237,003
Cash deposited with financial institutions which is fully insured or collateralized	1,027,902	1,539,677
Deposits held by the Bureau of Indian Affairs	1,155,619	1,155,619
Total	<u>\$ 2,420,524</u>	<u>\$ 2,932,299</u>

QUINAULT INDIAN NATION  
(Component Units Not Included)  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 1998

**NOTE 3 - INVESTMENTS**

The Nation's investments are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

*Category 1* - Insured or registered, or securities held by the Nation or its agent in the Nation's name.

*Category 2* - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Nation's name.

*Category 3* - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Nation's name.

	Category			Market Value
	1	2	3	
<b>General Fund</b>				
Common stocks	\$ 26,398	\$ -	\$ -	\$ 26,398
Certificates of deposit	1,533,074	-	-	1,533,074
Federal securities	1,140,563	-	-	1,140,563
	<u>\$ 2,700,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,700,035</u>
Mutual funds				12,435
Subtotal general fund				<u>2,712,470</u>
<b>Fiduciary Fund</b>				
Common stocks	\$ 38,048	\$ -	\$ -	38,048
Federal securities	170,026	-	-	170,026
	<u>\$ 208,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>208,074</u>
Mutual funds				2,454,155
Subtotal fiduciary fund				<u>2,662,229</u>
<b>Total</b>				<u><u>\$ 5,374,699</u></u>

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The following are receivables owed to the primary government and payables of the primary government for transactions with component units:

**RECEIVABLES**

Quinault Land and Timber Enterprise	\$ 915,137
Quinault Resort	1,430,943
Quinault Pride	187,066
Quinault Land and Timber Enterprises/Quinault Lumber Company Joint Venture	86,559
Quinault Credit Office	57,442
Taholah Mercantile	12,296
Queets	5,718
Quinault Cable and Utilities	217
	<u>\$ 2,695,378</u>

**PAYABLES**

Quinault Land and Timber Enterprise	\$ 3,752,340
Quinault Credit Office	16,902
	<u>\$ 3,769,242</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

	General Fixed Assets	North Boundary	Totals
Land, timber and timberlands	\$ 60,159,038	\$ 33,108,814	\$ 93,267,852
Building and improvements	9,051,660	526,419	9,578,079
Furniture and equipment	2,817,860	-	2,817,860
Rolling stock	769,225	-	769,225
Construction in progress	3,477,796	-	3,477,796
	<u>76,275,579</u>	<u>33,635,233</u>	<u>109,910,812</u>
Less accumulated depreciation and depletion	<u>(37,374,321)</u>	<u>(7,763,002)</u>	<u>(45,137,323)</u>
Net property and equipment	<u>\$ 38,901,258</u>	<u>\$ 25,872,231</u>	<u>\$ 64,773,489</u>

QUINULT INDIAN NATION  
(Component Units Not Included)  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 1998

**NOTE 5 - PROPERTY AND EQUIPMENT (Continued)**

The following is a summary of changes in general fixed assets:

	General Fixed Assets Account Group			
	Balance			Balance
	September 30, 1997	Additions	Deletions / Transfer	September 30, 1998
Land, timber and timberlands	\$ 54,367,849	\$ 5,791,189	\$ -	\$ 60,159,038
Building and improvements	8,510,282	541,378	-	9,051,660
Furniture and equipment	2,529,691	288,169	-	2,817,860
Rolling stock	731,015	61,244	(23,034)	815,293
Construction in progress	641,881	3,485,575	(649,660)	4,777,116
	66,780,718	10,167,555	(672,694)	77,620,967
Less accumulated depreciation and depletion	(36,176,775)	(1,220,580)	23,034	(37,420,389)
	<u>\$ 30,603,943</u>	<u>\$ 8,946,975</u>	<u>\$ (649,660)</u>	<u>\$ 40,200,578</u>

Current year fixed asset additions includes \$157,495 of timber regeneration costs that have been capitalized.

It is the Nation's policy to depreciate only those assets purchased by the general fund. Of recorded assets, \$27,055,955 were purchased by the general fund.

The Nation has not recorded certain original reservation lands and timber, the related infrastructure, and depletion relating to such land and timber. The effect of not recording these items is not considered to be material to the financial statements.

Current year purchases include a capital lease for computer equipment at a cost of \$281,654 and the transfer from Indian Health Services of the Queets Health Clinic at a market value of \$110,200.

Under federal regulations, when assets acquired under a grant are no longer needed, disposition of the asset may require the return of the asset or a portion of the proceeds from the sale to the awarding agency.

**NOTE 6 - GAMING DEVELOPMENT COSTS**

The Nation entered into a Washington State Compact for the regulation of Class III gaming on July 9, 1996. At September 30, 1998, the Nation has incurred \$1,430,943 in development costs associated with the development of the Quinault Resort and gaming operation. These costs have been recorded as a receivable from the Resort project (Note 4). The anticipated costs of this project which includes a Tribal lodge, convention center and related facilities is estimated to be \$38,000,000. At September 30, 1998, the project has incurred costs of approximately \$8,750,000 (see Note 15).

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 7 - LONG-TERM DEBT**

***General Long-term Debt Account Group***

Note payable to Farmers' Home Administration, dated April 1996, in the original amount of \$2,399,400, payable in semi-annual installments of \$68,479 including interest at 4.875%, due in October 2036, collateralized by the Nation's administration building.	\$ 2,338,340
Note payable to Bank of Grays Harbor dated May 26, 1998, in the amount of \$2,250,000 payable in installments of \$281,270, including interest at 8.5% due July 2003, collateralized by real estate with a recorded value of \$5,100,000.	2,250,000
Capitalized equipment lease obligation payable in monthly installments of \$8,855 including interest at 8.4% through October 2001, collateralized by computer equipment.	281,654
Note payable to Farmers' Home Administration, dated April 1978, in the original amount of \$1,500,000 payable in annual installments of \$88,155 including interest at 5%, due April 2018, collateralized by land with a recorded value of \$1,500,000.	203,377
Note payable to State of Washington, dated April 10, 1998 in the amount of \$50,000, payable in semi-annual installments of \$3,125 plus interest at 5%, (no interest due until October 2001), due October 2006.	<u>50,000</u>
Total long-term debt	<u><u>\$ 5,123,371</u></u>

The following is a summary of changes in the General Long-Term Debt Account Group:

	Balance September 30,			Balance September 30,
	1997	Additions	Reductions	1998
Farmers' Home Administration (total)	\$ 3,233,982	\$ -	\$ 692,265	\$ 2,541,717
Compensated absences	207,003	22,860	-	229,863
Bank note	-	2,250,000	-	2,250,000
Capital lease	-	281,654	-	281,654
State of Washington	-	50,000	-	50,000
	<u>\$ 3,440,985</u>	<u>\$ 2,604,514</u>	<u>\$ 692,265</u>	<u>\$ 5,353,234</u>



QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term debt will mature as follows:

Year Ending September 30,	
1999	\$ 602,002
2000	441,334
2001	478,921
2002	519,007
2003	562,527
Thereafter	2,237,926
	<u>\$ 4,841,717</u>

Future minimum lease payments under capitalized lease obligation are as follows:

Year Ending September 30,	
1999	\$ 106,263
2000	106,263
2001	106,263
	<u>318,789</u>
Less amounts representing interest	37,135
	<u>\$ 281,654</u>

Cash payments during the year for interest on all outstanding debt amounted to \$123,184 in the General Fund and \$137,495 in the Fiduciary Fund.

**NOTE 8 - NORTH BOUNDARY PROPERTY**

In October 1988, the United States Congress passed legislation transferring approximately 12,000 acres of land to the Secretary of the Interior to be held in trust for the Quinault Indian Nation, as well as providing for receipt of the proceeds from timber sales from some 5,460 acres to be distributed to various entities, including 45% to the Nation. The primary purpose of the legislation was to provide a land and resource base for the Quinault Indian Nation to support a land consolidation program on the Quinault Indian Reservation.

The bill limits the sale of timber from the land to a quantity equal to or less than a quantity which can be removed from the land annually in perpetuity on a long-term sustained-yield basis. In addition, the timber harvested may only be sold in domestic markets. Proceeds from the sale of timber, and from the 45% timber proceeds allocation may only be used for the following:

- a) Costs incurred by the Nation for the preparation and administration of timber sales.
- b) Mitigation of adverse environmental impacts caused by the timber harvests.
- c) Reforestation of any lands within the boundary of the Nation's reservation.

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 8 - NORTH BOUNDARY PROPERTY (Continued)**

- d) The purchase of any lands or interests in lands within the boundary of the Nation's reservation.

In order to observe the limitations placed on the land and ultimately on the timber proceeds, the North Boundary Fiduciary Fund was established in 1989. The fund is used to account for the initial recording of the 12,000 acre contribution, which was valued by the Nation at \$32,769,300, and proceeds from the sale of timber from the 12,000 acres, and 45% of the proceeds from the harvest of timber on the 5,460 acres. The fund also accounts for expenditures properly allocable to the fund.

The initial value of the North Boundary property was determined by management based on estimated harvestable timber, domestic log values and an estimate of future regeneration values for the land discounted to current value using a 6% discount rate. Amounts received from the harvest of timber on the 5,460 acres are recorded when received.

The Nation uses the Quinault Land and Timber Enterprise ("QLTE"), an Enterprise operation of the Quinault Indian Nation, to manage, harvest and sell timber from the North Boundary property. Substantially all revenues recorded within the North Boundary fund during the year ended September 30, 1998 relate to purchases of timber by the QLTE.

The North Boundary fund has an interfund liability account to the general fund arising from prior year land purchases in excess of net income. Due to the likelihood that this interfund borrowing will not be repaid in the immediate future, but rather as funds become available from the harvest of North Boundary timber, a portion of the General Fund's fund balance equal to the outstanding interfund borrowing is considered reserved in the accompanying financial statements. Future timber sales from the North Boundary property are expected to provide sufficient funding to eliminate the North Boundary fund's deficit fund balance.

**NOTE 9 - SUPPORT FROM GOVERNMENTAL UNITS**

The Nation receives substantially all of its support for the special revenue fund from federal and state governments. A severe reduction in the level of this support, if this were to occur, may have a significant effect on the Nation's special revenue programs and activities.

**NOTE 10 - RETIREMENT PLAN**

On July 1, 1997, the Nation adopted the Quinault Indian Nation 401(k) Plan, a defined contribution plan, whereby the employees of the Nation and component units may defer up to 15% of their salary and the Nation may elect to make discretionary contributions. The Nation contributed an amount equal to two times the employee's elective contributions not to exceed 5% of the participants' total compensation for the year ended September 30, 1998. The Nation's contributions to the plan for the year ended September 30, 1998 were approximately \$295,000. All employees who have completed one year of service and who have attained the age of eighteen are eligible to participate in the plan. The Nation's contributions are vested 100% after seven years of employment. The plan assets are reported as investments held in trust and are recorded at fair market value. The plan is accounted for as an agency type fund within the fiduciary fund types on the balance sheet. Contributions are funded currently.

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 10 - RETIREMENT PLAN (Continued)**

The assets of the Quinault Profit Sharing Plan funded in previous years and through the date of the adoption of the 401(k) Plan were transferred during September 1997 into the newly adopted 401(k) Plan.

The following is a summary of the changes in the 401(k) Plan's assets which are invested in mutual funds administered by Bisys Plan Services, Inc.

Balance, September 30, 1997	\$ 1,150,350
Employee and employer contributions	1,046,530
Plan earnings and increase in market value	63,363
Withdrawals	<u>(105,004)</u>
Balance, September 30, 1998	<u>\$ 2,155,239</u>

**NOTE 11 - DEFERRED COMPENSATION PLAN**

The Nation administers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permitted the employees to defer a portion of their salary until future years. After July 1, 1997, all salary deferrals were made through the Nation's 401(k) Plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts deferred under the plan and all income attributable to those amounts are funded and invested in a separate trust fund. The investments are valued at fair value.

The financial statements at September 30, 1998 include \$586,389 of plan assets and liabilities recorded in an agency fund. This agency fund is included in the fiduciary fund types on the balance sheet.

**NOTE 12 - CAPITAL PROJECTS FUND**

At September 30, 1998, the following projects were in process:

	Queets Store	Administration Building Phase II	Total
Construction in progress, October 1, 1997	\$ 415,898	\$ 225,983	\$ 641,881
Additional costs during the year	233,762	3,251,813	3,485,575
Transfer to Queets Trading Post	<u>(649,660)</u>	<u>-</u>	<u>(649,660)</u>
	<u>\$ -</u>	<u>\$ 3,477,796</u>	<u>\$ 3,477,796</u>
Estimated total project costs at completion		<u>\$ 4,200,000</u>	<u>\$ 4,200,000</u>

QUINULT INDIAN NATION  
(Component Units Not Included)  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1998

**NOTE 13 - LEASES**

The Nation entered into a 25 year lease agreement in July 1997 for land in Grays Harbor County, Washington, to be used for a proposed development. The lease provides for an annual rental of \$102,000 through the fifth year of the lease. Rental rates for subsequent years will be adjusted based on an appraisal process, as prescribed by federal regulations in 25 CFR, Section 162.8. Guaranteed minimum rental payments under the lease agreement are as follows:

Year Ending September 30,	
1999	\$ 102,000
2000	102,000
2001	102,000
2002	76,500
Subsequent years (subject to appraisal)	-
Total	<u>\$ 382,500</u>

**NOTE 14 - YEAR 2000 ISSUE**

The Year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Certain of the Nation computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. In addition, certain hardware components may not function properly as the year 2000 approaches. This could result in a system failure or miscalculations causing disruptions of operations including, among other things a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Management is in the process of reviewing the primary government's computer software programs, and hardware components, and believes that any costs to be incurred to ensure its systems are Year 2000 compliant will not be significant. However the Nation has not completed an assessment of its other systems and subsystems, including those of vendors, customers, granting agencies and other third parties. Until a complete assessment is made, the Nation is unable to estimate the expense to be incurred in the implementation of full year 2000 compliance or the remediation of any affects on operations related to non-compliance.

**NOTE 15 - SUBSEQUENT EVENTS**

In October 1998, the Nation received a \$5,000,000 bond anticipation bridge loan from Key Bank to provide bridge financing for construction and equipping of Tribal lodge, convention center and related facilities on 125 acres of ocean beach property north of Ocean Shores, Washington. The loan is unsecured, however the Nation has agreed to refrain from pledging \$5,000,000 of cash and investments against other debt. The bridge loan is due six months from closing. The interest rate is variable at the bank's prime rate or the LIBOR rate plus 200 points for thirty, sixty or ninety day periods.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Business Committee Members  
Quinault Indian Nation

We have audited the primary government financial statements of Quinault Indian Nation as of and for the year ended September 30, 1998, and have issued our report thereon dated February 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Quinault Indian Nation's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the primary government of Quinault Indian Nation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of Quinault Indian Nation in a separate letter dated February 17, 1999.

This report is intended for the information of the Business Committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Moss Adams LLP*

Bellingham, Washington  
February 17, 1999

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Business Committee Members  
Quinault Indian Nation

**COMPLIANCE**

We have audited the compliance of the primary government of Quinault Indian Nation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1998. Quinault Indian Nation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Quinault Indian Nation's management. Our responsibility is to express an opinion on Quinault Indian Nation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quinault Indian Nation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Quinault Indian Nation's compliance with those requirements.

In our opinion, Quinault Indian Nation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of Quinault Indian Nation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Quinault Indian Nation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with

applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Business Committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Moss Adams LLP*

Bellingham, Washington  
February 17, 1999

QUINULT INDIAN NATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 1998

**I. SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Non-compliance material to financial statements noted? ☐ Yes ☒ No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133. ☐ Yes ☒ No

**IDENTIFICATION OF MAJOR PROGRAMS**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
15.022	Department of the Interior - Self Governance
15.022	Department of the Interior - Forest Management Deductions (Program Income)
93.210	Department of Health and Human Services - Self Governance
93.600	Department of Health and Human Services - Headstart
10.769	Department of Agriculture - Rural Business Enterprise

Dollar threshold used to distinguish between type A and type B programs: \$ 437,400

Auditee qualified as low-risk auditee? ☐ Yes ☒ No



QUINULT INDIAN NATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 1998

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH WERE REQUIRED TO BE  
REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

No findings are reported in this section.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No findings are reported in this section.

QUINULT INDIAN NATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
September 30, 1998

*The following were reported as Findings in the Nation's audit for the year ended September 30, 1997.*

**FINDING 97-1 - FEDERAL REPORTING**

We found that three financial reports for a major program were not filed in a timely manner during the year.

*Status at September 30, 1998:* No instances of this finding were reported in the audit for the year ended September 30, 1998.

**FINDING 97-2 - RECONCILIATION OF PHYSICAL INVENTORY OF FIXED ASSETS**

We found that the Nation did not reconcile its inventory of property and equipment to the accounting records at least once every two years as required by Federal regulations.

*Status at September 30, 1998:* The Nation corrected this deficiency during the year ended September 30, 1998.

## **SUPPLEMENTAL INFORMATION**

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QUINAUT INDIAN NATION  
(Component Units Not Included)  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
GOVERNMENTAL AND FIDUCIARY FUND TYPES  
Year Ended September 30, 1998

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Special Revenue	Capital Projects	Non-Expendable Trust	(Memorandum Only)
<b>REVENUES</b>					
Contracts and grants	\$ -	\$ 15,341,912	\$ 3,251,813	\$ -	\$ 18,593,725
Indirect	5,156,756	-	-	-	5,156,756
Timber sales	1,820,459	-	-	1,448,045	3,268,504
Patient services	-	822,596	-	-	822,596
Investment income	742,032	-	-	23,549	765,581
Casino administration	333,977	-	-	-	333,977
Other	121,228	86,756	-	29,292	237,276
Use allowance	166,028	-	-	-	166,028
Licenses and permits	79,982	-	-	-	79,982
Taxes and fines	65,581	-	-	-	65,581
Gravel sales	49,845	-	-	-	49,845
Lease	20,944	-	-	-	20,944
Total revenues	8,556,832	16,251,264	3,251,813	1,500,886	29,560,795
<b>EXPENDITURES</b>					
Capital expenditures	6,157,151	414,629	3,485,575	-	10,057,355
Salaries and wages	3,006,074	4,969,012	-	21,215	7,996,301
Indirect	39,327	5,084,628	-	32,802	5,156,757
Fringe benefits	743,306	1,174,227	-	4,915	1,922,448
Clinical providers	-	1,253,676	-	-	1,253,676
Contract services	353,012	736,559	-	-	1,089,571
Use allowance and depletion	166,028	-	-	673,239	839,267
Supplies	235,989	538,688	-	1,536	776,213
Loan payments	692,265	-	-	-	692,265
Professional fees	259,175	293,040	-	1,475	553,690
Rent/lease	181,283	344,148	-	970	526,401
Planting contracts and regeneration costs	-	-	-	522,147	522,147
Assistance payments	-	516,110	-	-	516,110
Travel	252,952	150,615	-	1,350	404,917
Non-capitalized equipment	152,607	221,668	-	10,744	385,019
Interest	167,221	-	-	137,495	304,716
Telephone and utilities	285,581	-	-	-	285,581
Pass through	52,322	170,125	-	-	222,447
Repairs and maintenance	140,085	68,886	-	8,821	217,792
Tuition, stipends, and scholarships	3,825	199,886	-	-	203,711
Freight and insurance	134,572	-	-	-	134,572
Forest management deductions	-	-	-	128,163	128,163
Training	45,080	69,118	-	-	114,198
Printing and postage	86,111	(1,968)	-	-	84,143
Miscellaneous	51,653	5,535	-	-	57,188
Gas and oil	15,829	41,066	-	-	56,895
Taxes and licenses	31,264	11,892	-	3,556	46,712
Contributions	44,160	-	-	-	44,160
Board member fees	40,725	-	-	-	40,725
Advertising	23,044	9,359	-	130	32,533
Dues and subscriptions	19,125	4,031	-	-	23,156
Bad debts	6,561	-	-	-	6,561
Total expenditures	13,386,327	16,274,930	3,485,575	1,548,558	34,695,390
REVENUES OVER (UNDER) EXPENDITURES	(4,829,495)	(23,666)	(233,762)	(47,672)	(5,134,595)
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	2,581,654	-	-	-	2,581,654
Operating transfers in	752,331	257,428	233,762	-	1,243,521
Transfer from general fixed asset account group	649,660	-	-	-	649,660
Land purchased by North Boundary	506,779	-	-	-	506,779
Operating transfers out	(257,428)	(233,762)	-	(506,779)	(997,969)
Total other financing sources (uses), net	4,232,996	23,666	233,762	(506,779)	3,983,645
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(596,499)	-	-	(554,451)	(1,150,950)
FUND BALANCE (DEFICIT), beginning of the year	34,392,627	-	-	(6,115,448)	28,277,179
RESIDUAL EQUITY TRANSFER	(649,660)	-	-	-	(649,660)
FUND BALANCE (DEFICIT), end of the year	\$ 33,146,468	\$ -	\$ -	\$ (6,669,899)	\$ 26,476,569

**QUINULT INDIAN NATION**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
Year Ended September 30, 1998

	General Government	Natural Resource Development	Health and Welfare	Public Safety	Planning and Development	Education	Sanitation	Total
Capital expenditures	\$ 6,157,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,157,151
Salaries and wages	1,374,658	459,423	467,685	53,241	157,809	64,679	428,579	3,006,074
Indirect	39,327	-	-	-	-	-	-	39,327
Fringe benefits	328,777	100,718	120,021	11,133	34,780	18,163	129,714	743,306
Contract services	338,249	-	-	-	14,763	-	-	353,012
Use allowance and depletion	166,028	-	-	-	-	-	-	166,028
Supplies	140,559	13,108	24,344	5,110	6,737	556	45,575	235,989
Loan payments	692,265	-	-	-	-	-	-	692,265
Professional fees	224,036	736	31,606	-	2,427	-	370	259,175
Rent/lease	91,795	57,263	25,221	897	4,295	62	1,750	181,283
Travel and training	195,158	22,322	18,772	1,275	4,376	4,320	6,729	252,952
Non-capitalized equipment	52,818	25,897	44,072	7,540	8,071	-	14,209	152,607
Interest	167,221	-	-	-	-	-	-	167,221
Telephone and utilities	279,016	498	5,988	79	-	-	-	285,581
Pass through	52,322	-	-	-	-	-	-	52,322
Repairs and maintenance	80,860	-	10,475	6,027	943	-	41,780	140,085
Tuition, stipends, and scholarships	3,825	-	-	-	-	-	-	3,825
Freight and insurance	134,572	-	-	-	-	-	-	134,572
Training	24,030	7,871	6,373	606	2,590	1,695	1,915	45,080
Printing and postage	70,802	680	14,023	-	548	58	-	86,111
Miscellaneous	48,391	-	2,991	-	-	271	-	51,653
Gas and oil	6,556	17	2,223	436	-	-	6,597	15,829
Taxes and licenses	30,091	20	125	85	582	-	361	31,264
Contributions	44,160	-	-	-	-	-	-	44,160
Board member fees	40,710	-	-	-	-	15	-	40,725
Advertising	12,832	203	3,972	3,613	2,309	-	115	23,044
Dues and subscriptions	17,242	120	991	42	443	287	-	19,125
Bad debts	6,561	-	-	-	-	-	-	6,561
<b>Total expenditures</b>	<b>\$ 10,820,012</b>	<b>\$ 688,876</b>	<b>\$ 778,882</b>	<b>\$ 90,084</b>	<b>\$ 240,673</b>	<b>\$ 90,106</b>	<b>\$ 677,694</b>	<b>\$ 13,386,327</b>

QUINULT INDIAN NATION  
(Component Units Not Included)  
**COMBINING BALANCE SHEET - FIDUCIARY FUND TYPES**  
September 30, 1998

	North Boundary	Deferred Compensation Plan	401(k) Plan	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 520,722	\$ -	\$ -	\$ 520,722
Investments	-	583,706	-	583,706
Investments held in trust	-	-	2,078,523	2,078,523
Due from other funds	-	-	74,831	74,831
Due from component units	-	-	1,885	1,885
Accounts receivable	-	2,683	-	2,683
Property and equipment, net	<u>25,872,231</u>	<u>-</u>	<u>-</u>	<u>25,872,231</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 26,392,953</u>	 <u>\$ 586,389</u>	 <u>\$ 2,155,239</u>	 <u>\$ 29,134,581</u>
 <b>LIABILITIES AND RETAINED EARNINGS</b>				
Due to other funds	\$ 31,124,962	\$ 10,496	\$ -	\$ 31,135,458
Due to component units	1,782,231	-	-	1,782,231
Deferred revenues	155,659	46,297	-	201,956
Deferred retirement benefits	-	-	2,155,239	2,155,239
Deferred compensation payable	<u>-</u>	<u>529,596</u>	<u>-</u>	<u>529,596</u>
 <b>TOTAL LIABILITIES</b>	 33,062,852	 586,389	 2,155,239	 35,804,480
<b>RETAINED EQUITY (DEFICIT)</b>	<u>(6,669,899)</u>	<u>-</u>	<u>-</u>	<u>(6,669,899)</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <u>\$ 26,392,953</u>	 <u>\$ 586,389</u>	 <u>\$ 2,155,239</u>	 <u>\$ 29,134,581</u>

QUINALT INDIAN NATION  
(Component Units Not Included)  
COMBINING STATEMENT OF REVENUES AND EXPENDITURES  
SPECIAL REVENUE FUNDS AND CAPITAL PROJECTS FUND  
Year Ended September 30, 1998

	Revenues	Salaries	Fringe Benefits	Travel and Training	Capital Expenditures	Supplies	Contract Services	Scholarships, Assistance, & Pass through	Lease	Indirect	Other Expenses	Total Expenditures	Revenues Over (Under) Expenditures	Transfers In (Out)
<b>DEPARTMENT OF INTERIOR</b>														
Office of Self Governance														
Self Governance	\$ 11,447,823	\$ 2,848,019	\$ 685,710	\$ 90,294	\$ 3,263,508	\$ 390,500	\$ 313,241	\$ 579,636	\$ 259,463	\$ 2,874,145	\$ 58,307	\$ 11,362,823	\$ 85,000	\$ (85,000)
Bureau of Indian Affairs														
Forest Management Deductions	962,267	233,509	62,151	3,160	157,495	25,735	238,295	-	75	234,430	7,417	962,267	-	-
Modipa-Olympic Highway	89,880	47,145	7,897	-	-	5,765	-	-	28,973	-	100	89,880	-	-
Tribal Transportation	79,845	-	-	4,850	-	10,493	54,790	-	-	9,712	-	79,845	-	-
Fire Suppression	75,324	63,357	11,177	187	-	-	-	-	603	-	-	75,324	-	-
Forest Land Assistance	15,899	-	-	-	-	-	9,761	-	-	6,178	-	15,939	(40)	40
U.S. Fish and Wildlife Service														
Northern Boundary Land Exchange	144,786	-	-	-	-	-	144,786	-	-	-	-	144,786	-	-
Chehalis Fish Restoration	40,017	22,775	1,725	-	-	5	-	-	-	15,512	-	40,017	-	-
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>														
Indian Health Services Self Governance	5,008,789	1,308,312	283,382	78,372	63,546	218,227	1,421,113	-	25,485	1,589,017	21,335	5,008,789	-	-
Headstart	304,058	131,118	41,403	10,521	62,129	22,273	2,916	-	40	31,556	2,102	304,058	-	-
Senior Citizen Nutrition	65,000	63,023	17,490	6,614	-	17,267	-	-	5,838	69,783	10	180,025	(115,025)	115,025
Childcare and Development Block Grant	68,528	-	-	-	-	-	-	68,528	-	-	-	68,528	-	-
Childcare and Development Block Grant	14,223	-	-	-	-	-	-	14,223	-	-	-	14,223	-	-
Low Income Home Energy Assistance	45,220	3,177	2,292	133	-	-	-	38,561	-	3,546	-	47,709	(2,489)	2,489
Child Welfare	4,604	-	253	2,669	-	-	-	-	-	1,850	-	4,772	(168)	168
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>														
Home Program	54,078	-	-	-	54,000	-	-	-	48	30	-	54,078	-	-
<b>DEPARTMENT OF AGRICULTURE</b>														
Rural Business Enterprise (Queets Store)	150,716	-	-	2,252	233,762	13,228	-	-	-	10,529	1,153	260,924	(110,208)	110,208
Fifth Avenue Mall	62,284	-	-	-	-	26,610	35,524	-	-	16,844	-	78,978	(16,694)	16,694
Food Distribution Program	33,453	12,629	3,876	3,919	-	-	-	-	152	13,025	-	33,601	(148)	148
Meal Reimbursement	12,811	-	-	-	-	12,811	-	-	-	-	-	12,811	-	-
<i>Passed through the State of Washington</i>														
Women, Infant & Child	18,512	10,490	4,082	219	-	745	-	-	549	10,278	151	26,514	(8,002)	8,002
Child and Adult Care Food Program	26,311	-	-	-	-	26,311	-	-	-	-	-	26,311	-	-
Summer Food Program	5,412	2,224	358	-	-	4,276	-	-	-	4,342	-	11,200	(5,788)	5,788
<b>ENVIRONMENTAL PROTECTION AGENCY</b>														
Coordinated Water Quality Program	159,618	57,780	13,352	3,700	-	6,744	15,200	-	5,945	55,981	916	159,618	-	-
Tribal Quality	11,739	6,300	904	-	-	-	-	-	-	4,561	-	11,765	(26)	26
Tribal Watershed Analysis	1,615	-	-	-	-	989	-	-	-	626	-	1,615	-	-
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>														
Disaster Recovery	-	-	-	-	-	-	-	-	2,281	1,819	594	4,694	(4,694)	4,694
<b>DEPARTMENT OF COMMERCE</b>														
Economic Development Planning	38,364	31,907	8,358	609	-	-	-	-	-	-	-	40,874	(2,510)	2,510
<b>EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>														
Tribal Employment Rights Ordinance	25,000	53,051	13,535	2,476	-	294	-	-	3,030	46,014	307	118,707	(93,707)	93,707
<b>DEPARTMENT OF LABOR</b>														
<i>Passed through Western Washington Indian</i>														
Education and Training Program-Weatherization	4,042	-	-	-	-	-	-	-	-	1,567	2,475	4,042	-	-
<b>OTHER</b>														
Foster Care	275,183	-	-	-	-	-	-	185,173	-	-	-	185,173	90,010	(90,010)
Child Protective Services	73,917	52,409	13,110	7,446	-	3,028	-	-	27	48,121	-	124,141	(50,224)	50,224
Pedestrian System	65,764	-	-	-	65,764	-	-	-	-	-	-	65,764	-	-
Ocean Shores Marina	50,000	-	-	385	-	-	44,779	-	-	-	4,836	50,000	-	-
Indian Child Welfare Capacity Study	24,194	13,410	2,084	1,927	-	7,224	-	-	-	15,600	-	40,245	(16,051)	16,051
Ziegler Creek Spawning	20,397	-	-	-	-	1,192	2,000	-	11,600	9,363	-	24,155	(3,758)	3,758
Clearwater Habitat	19,286	4,522	642	-	-	5,737	870	-	39	7,476	-	19,286	-	-
Headstart	4,118	3,855	446	-	-	-	-	-	-	2,723	-	7,024	(2,906)	2,906
<b>Totals</b>	<b>\$ 19,503,077</b>	<b>\$ 4,969,012</b>	<b>\$ 1,174,227</b>	<b>\$ 219,733</b>	<b>\$ 3,900,204</b>	<b>\$ 799,454</b>	<b>\$ 2,283,275</b>	<b>\$ 886,121</b>	<b>\$ 344,148</b>	<b>\$ 5,084,628</b>	<b>\$ 99,703</b>	<b>\$ 19,760,505</b>	<b>\$ (257,428)</b>	<b>\$ 257,428</b>

QUINULT INDIAN NATION  
(Component Units Not Included)  
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS  
Year Ended September 30, 1998

	Federal CFDA Number	Grant Identification Number	Total Award	Deferred Revenue 9/30/97	Unexpended 9/30/97	1998 Award	Expenditures	Other (Note 2)	Unexpended 9/30/98	Deferred Revenue 9/30/98
<b>DEPARTMENT OF INTERIOR</b>										
Office of Self Governance										
Self Governance*	15.022	GTP06T11701	\$ 73,527,313	\$ 2,266,805	\$ -	\$ 9,676,561	\$ 11,362,823	\$ 1,756	\$ 292,879	\$ 289,420
Bureau of Indian Affairs										
Forest Management Deductions* (Program Income)	15.022	X-BIA-5351	3,069,777	-	428,547	1,858,066	962,267	-	1,324,346	-
Moclips-Olympic Highway	15.033	CTP06T11702	138,797	-	88,275	50,522	89,880	-	48,917	-
Tribal Transportation	15.033	CTP06T11701	83,675	-	83,675	-	79,845	-	-	3,830
Fire Suppression	15.031	GTP06T11704	665,324	-	-	75,324	75,324	-	-	-
Forest Land Assistance	15.035	N/A	15,899	-	-	15,899	15,939	40	-	-
Forest Management Inventory	15.035	GTP06T11705	-	62,538	32,300	20,900	-	-	20,900	94,838
Bureau of Reclamation										
Taholah Water	15.504	1425-7-FC-10-02930	50,000	-	50,000	-	-	-	19,439	30,561
U.S. Fish and Wildlife Service										
Northern Boundary Land Exchange	15.608	134108J429	144,786	-	-	144,786	144,786	-	-	-
Chehalis Fish Restoration	15.608	14-16-1-91657	188,680	-	119,803	-	40,017	-	79,786	-
Passed through Northwest Indian Fish Commission										
Coho Production Evaluation	15.039	3715	144,100	-	860	-	-	-	860	-
Coho Supplementation	15.039	3716	52,890	-	4	-	-	-	4	-
Total Department of Interior				2,329,343	803,464	11,842,058	12,770,881	1,796	1,787,131	418,649
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
Indian Health Services Self Governance*	93.210	ISG950022-01-6	18,762,472	1,840,066	6,761	4,733,265	5,008,789	822,596	(4,639)	2,398,538
Headstart 1998*	93.600	90CI0496/29	264,741	-	-	264,741	205,243	-	59,498	-
Headstart 1997*	93.600	90CI0496/28	338,370	-	115,736	-	98,815	-	16,921	-
Senior Citizen Nutrition	10.570	98IOWA2689	65,000	-	-	65,000	180,025	115,025	-	-
Childcare and Development Block Grant	93.575	G98IUWACCDF	82,305	-	-	82,305	68,528	-	13,777	-
Childcare and Development Block Grant	93.575	G97IUWACONT	89,000	-	-	89,000	-	-	89,000	-
Childcare and Development Block Grant	93.575	G97IUWACCDF	68,282	-	14,223	-	14,223	-	-	-
Childcare and Development Block Grant	93.575	G95IUWACARE	98,507	-	16	-	-	-	16	-
Low Income Home Energy Assistance	93.568	G98IUWALIEA	44,391	-	829	44,391	47,709	2,489	-	-
Child Welfare	93.658	G9701WA1509	7,249	-	4,190	-	4,358	168	-	-
Child Welfare	93.658	G981WA1509	7,356	-	-	7,356	414	-	6,942	-
Taholah Outfall Replacement	93.xxx	PO-98-848	35,000	-	-	35,000	-	-	35,000	-
Diabetes	93.237	64HD00025-01	42,108	-	-	42,108	-	-	-	42,108
Total Department of Health and Human Services				1,840,066	141,755	5,363,166	5,628,104	940,278	216,515	2,440,646
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>										
Home Program	14.239	M96-IG970001	818,570	-	818,570	-	54,078	-	764,492	-
Recovery House	14.862	B96SR530015	320,000	-	320,000	-	-	-	320,000	-
Total Department of Housing and Urban Development				-	1,138,570	-	54,078	-	1,084,492	-
Balance carried forward				\$ 4,169,409	\$ 2,083,789	\$17,205,224	\$ 18,453,063	\$ 942,074	\$ 3,088,138	\$ 2,859,295



QUINALT INDIAN NATION  
(Component Units Not Included)  
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS  
Year Ended September 30, 1998

	Federal CFDA Number	Grant Identification Number	Total Award	Deferred Revenue 9/30/97	Unexpended 9/30/97	1998 Award	Expenditures	Other (Note 2)	Unexpended 9/30/98	Deferred Revenue 9/30/98
Balance brought forward				\$ 4,169,409	\$ 2,083,789	\$17,205,224	\$ 18,453,063	\$ 942,074	\$ 3,088,138	\$ 2,859,295
<b>DEPARTMENT OF AGRICULTURE</b>										
Farmers' Home Administration - Rural Business										
Enterprise (Queets Store)*	10.769	56-14-910760952	\$ 566,850	-	150,716	-	260,924	110,208	-	-
Fifth Avenue Mall	10.670	WANW-96035	75,000	-	62,284	-	78,978	16,694	-	-
Food Distribution Program	10.567	FD-7-1-QUIN	33,453	-	-	33,453	33,601	148	-	-
Meal Reimbursement	10.570	7F7087-004	12,811	-	-	12,811	12,811	-	-	-
Meal Reimbursement	10.570	7F7087-004	10,020	-	492	-	-	-	492	-
Passed through State of Washington										
Women, Infant and Child	10.557	N07297	17,235	-	-	17,235	18,705	1,470	-	-
Women, Infant and Child	10.557	1651-05057	16,381	-	1,277	-	7,809	6,532	-	-
Women, Infant and Child	10.557	1651-05057	29,127	-	240	-	-	-	240	-
Child and Adult Care Food Program	10.570		26,311	-	-	26,311	26,311	-	-	-
Summer Food Program	10.570	14-874	5,412	-	-	5,412	11,200	5,788	-	-
Total Department of Agriculture				-	215,009	95,222	450,339	140,840	732	-
<b>ENVIRONMENTAL PROTECTION AGENCY</b>										
Coordinated Water Quality Program	66.926	GA990959-01-0	165,000	-	-	165,000	159,618	-	5,382	-
Water Quality General Assistance Program	66.926	GA990787010	89,231	-	11,739	-	11,765	26	-	-
Water Quality General Assistance Program	66.926	GA990809010	75,000	-	40,550	-	1,615	-	38,935	-
Wetland Protection Policy	66.461	CD-9803388-01-0	25,695	-	-	25,695	-	-	25,695	-
Total Environmental Protection Agency				-	52,289	190,695	172,998	26	70,012	-
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>										
Disaster Recovery	83.516	027-57080	73,699	10	3,437	-	4,694	4,694	3,437	10
<b>DEPARTMENT OF COMMERCE</b>										
Economic Development Planning	11.302	07-05-15030-98	37,000	-	-	37,000	21,681	-	15,319	-
Economic Development Planning	11.302	07-05-15030-97	37,000	-	16,683	-	19,193	2,510	-	-
Total Department of Commerce				-	16,683	37,000	40,874	2,510	15,319	-
<b>EQUAL EMPLOYMENT OPPORTUNITY COUNCIL</b>										
Tribal Employment Rights Ordinance	30.009	7-5010-0139	25,696	-	-	25,696	118,707	93,707	696	-
<b>DEPARTMENT OF LABOR</b>										
Passed through Western Washington Indian										
Education and Training Program-Weatherization	17.751	-	31,121	-	-	31,121	4,042	-	27,079	-
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>				<b>\$ 4,169,419</b>	<b>\$ 2,371,207</b>	<b>\$17,584,958</b>	<b>\$ 19,244,717</b>	<b>\$ 1,183,851</b>	<b>\$ 3,205,413</b>	<b>\$ 2,859,305</b>

QUINULT INDIAN NATION  
(Component Units Not Included)  
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS  
Year Ended September 30, 1998

	Federal CFDA Number	Grant Identification Number	Total Award	Deferred Revenue 9/30/97	Unexpended 9/30/97	1998 Award	Expenditures	Other (Note 2)	Unexpended 9/30/98	Deferred Revenue 9/30/98
Total Federal Financial Awards brought forward				\$ 4,169,419	\$ 2,371,207	\$17,584,958	\$ 19,244,717	\$ 1,183,851	\$ 3,205,413	\$ 2,859,305
NON-FEDERAL AWARDS - WASHINGTON STATE										
Emergency Food Program	-	S98-32000-046	\$ 9,629	-	-	9,629	-	-	9,629	-
Pedestrian System	-	-	339,090	-	188,739	-	65,764	-	73,998	48,977
Headstart	-	S98-33500-051	4,280	-	-	4,280	7,024	2,906	162	-
Foster Care	-	910760952	275,183	-	-	275,183	185,173	(90,010)	-	-
Child Protective Services	-	910760952/8409	157,515	-	52,899	78,758	124,141	50,224	57,740	-
Ocean Shores Marina	-	F95-76095-041	50,000	-	-	50,000	50,000	-	-	-
Indian Child Welfare Capacity Study	-	899-110197-899	24,194	-	-	24,194	40,245	16,051	-	-
Zeigler Creek Spawning	-	58190113	20,397	-	-	20,397	24,155	3,758	-	-
Clearwater Habitat	-	58190119	61,339	-	-	61,339	19,286	-	42,053	-
Total non-federal awards				-	241,638	523,780	515,788	(17,071)	183,582	48,977
TOTALS				\$ 4,169,419	\$ 2,612,845	\$18,108,738	\$ 19,760,505	\$ 1,166,780	\$ 3,388,995	\$ 2,908,282

\* Denotes Major Programs

QUINULT INDIAN NATION  
NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AND NON-FEDERAL AWARDS  
September 30, 1998

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and non-federal awards includes the grant activity of the Quinault Indian Nation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 - OTHER COLUMN**

Other revenues and expenditures consists of the following:

Patient service fees	\$ 822,596
Operating transfers in	257,428
Other program income	86,756
	<u>\$ 1,166,780</u>

**NOTE 3 - OTHER FINANCIAL ASSISTANCE**

See note 5 on page 13 for data regarding transfer from Indian Health Services of Queets Health Clinic to the Tribe's general fixed asset account group at market value of \$110,200.

See note 7 on page 14 for data regarding Farmer's Home Administration long-term debt.

## QUINULT INDIAN NATION

### Chapter 4

#### PROCUREMENT

4.0 The purchasing process begins at the program level when an employee initiates an order (PS-1) for goods or services they require to carry out their program responsibilities. From there, a requisition (form PS-2) is processed, approved, and sent to the Department of Administration (DOA). The requisition is reviewed by DOA and an Authorized Expenditure (A.E.) (PS-3) is issued to the vendor supplying the goods or services. Once the A.E. is confirmed by the supplier, the goods are shipped to QIN where they are received by DOA. As soon as the shipment has been verified as to what was ordered and its condition, the program ordering the goods is notified and they will receive their order by signing the Receipt of Material (PS-4). When the purchase invoice is received, it is matched against the Receipt of Material, Authorized Expenditure and Requisition. It then goes to the Accounting Department for immediate payment and the purchasing cycle is complete.

4.1 The purchasing cycle is divided into two areas of control:

A. Functions outside the D.O.A.

- (a) Initiating order.
- (b) Preparing, approving, and processing requisition.

B. Functions inside the D.O.A.

- (a) Preparing, approving, and processing authorized expenditures.
- (b) Preparing Receipt of Materials.
- (c) Approving and processing vendor's purchase invoice.

4.2 To assure that the purchasing system substantiates continuity, maintains internal controls, and establishes accountability. The following policies have been adopted by the Business Committee:

- A. Department directors are responsible for approving source documents originating in their department. Only the director has the authority to delegate this responsibility to another employee in their department by adhering to the following procedure:
  - 1. Any employee designated by a department director to approve source documents must be authorized by the Executive Committee.
  - 2. An Authorization Signature Card must be completed and on file in the D.O.A.
- B. If any goods or services are needed by any program person they may initiate a request to order those items required.
- C. A requisition will only be approved by an authorized employee and only if the goods or services being ordered are:
  - (a) Essential to the program.
  - (b) In a line item expense category of an approved budget.
  - (c) In compliance with all tribal, federal, and state procurement procedures.
  - (d) In compliance with terms of the program contract.
- D. All departments will use standard source document forms.
- E. Department directors may designate certain program employees who can contact vendors and make inquiries as to availability of goods or services, prices, terms, delivery, etc., but they cannot make any commitment to purchase.
- F. The D.O.A. is responsible for the approval of all authorized expenditures and must have Executive approval for any commitment of funds:
  - (a) In excess of \$1,000.
  - (b) Not in an approved budget.
  - (c) For a capital expenditure.
  - (d) For Personal Service Agreements.

The above mentioned procedures are outlined and explained as separate sections of the purchasing system. The source documents and other forms that are mentioned in these procedures are illustrated and explained in Appendix I. Appendix II is a Glossary of Terms in these procedures.

#### Section I - Initiating Order Procedure

Each employee is responsible for their job assignment and must be held accountable for completing these tasks. Many times supplies, tools, and services are necessary in order for those responsibilities to be carried out. Because of this an employee must be able to initiate an order to let their supervisor know of their needs.

##### Procedure:

1. Determine what goods or services are required.
2. Complete initial order form (PS-1) in duplicate as instructed.
3. After (PS-1) form is signed by the employee it is forwarded, the original to their immediate supervisor for approval, and the employee keeps the copy.
4. If the supervisor approves the order it is forwarded to the person responsible for initiating a requisition (PS-2).
5. If the supervisor disapproves the order a short explanation is written stating why the order was disapproved and is returned to the employee.

#### Section II - Ordering Procedure

Each department director is accountable for the programmatic and administrative management of each program within their department. They have the responsibility to assure themselves that each program has the availability of necessary supplies, tools, and services and yet control unnecessary purchasing. They are able to do this by means of the Requisition.

A Requisition is a request to order goods or services required by a program. It is not a purchase commitment. The Requisition is a document, when properly approved will control the internal ordering procedure within the Q.I.N. It is the authority that authorizes the DOA to place an order and commit tribal funds.

Procedures:

1. An initial order (PS-1) request is received by the designated person responsible for preparing the Requisition.
2. The initial order form (PS-1) is verified for:
  - (a) Program number
  - (b) Cost code number
  - (c) C.O.A. number
  - (d) Proper approval and compliance
3. The requisition person has been given the authority to contact various suppliers, and obtain prices, terms, and availability of goods or services. They document this information on the back of the I.O.F. or they use another work sheet. It is from this information that the supplier with the most competitive prices and most beneficial terms is then selected. This procedure is followed when requesting to order goods or services other than:
  - (a) Those requiring a Contractual Agreement between the QIN and Contractor,
  - (b) capital expenditures,
  - (c) those requiring a Personal Service Agreement between the QIN and an individual,
  - (d) sub-contracts for the construction of a permanent facility,
  - (e) employees reimbursed expenses.

4. When all necessary information is obtained the Requisition Form (PS-2) is completed as instructed.

Requisitions for:

- (a) Capital expenditures,
  - (b) Contractual Agreements,
  - (c) Personal Service Agreements,
  - (d) construction sub-contracts,
  - (e) employees reimbursements of expenses are completed per instructions when all of the procedures relating to these types of transactions have been completed as outlined under Other Procedures, Section VI.
5. When Form PS-2 is complete, it is attached to the Initial Order Form (PS-1) and all other work papers or documents pertinent to the Requisition are submitted for approval.
  6. The person who approves the Requisition will determine before they sign it that all purchasing policies have been complied with and that the order should be placed and funds encumbered.
  7. After the Requisition is either approved or disapproved it is returned to the person responsible for making requisitions.
  8. If it has been disapproved it is voided and the person or program who initiated the order is notified accordingly.
  9. If the Requisition is approved the pink copy is detached and retained by the requesting department. The original and yellow copies are attached to the initial order and supporting documents and then forwarded to the D.O.A.

### Section III - Committing Funds Procedure

The Business Committee is responsible for the proper spending of all tribal funds. Because most obligations are incurred on account it is important that program funds be encumbered and budget line item amounts



be decreased accordingly. This will prevent the overspending of budgets and at the same time control what funds will be necessary to have on hand to meet current payables. It is important to be assured that only authorized program purchases are allowed, that funds are committed before goods and services are ordered, and that all tribal obligations are recorded. In order to control tribal commitments a centralized purchasing office was established. No tribal funds can be committed unless that office approves an Authorized Expenditure Form (PS-3)

The Authorized Expenditure (PS-3) is a purchase order by which program goods and services are ordered. The authority by which an AE is issued is a properly approved Requisition (PS-2). The validity of the Requisition is evident by the proper authorized signature.

Although the AE is a purchase order it is also the source document that authorizes the commitment of tribal funds. It is not the intention of the AE to hold up the purchasing process. Its purpose is to control each purchase transaction by committing funds only when they are available and then reduce the remaining balance by the amount of that transaction. This will control the over and under spending of budgets because it only allows the placing of that order after funds have been committed.

Procedures:

1. An approved Requisition (PS-2) is received in the purchasing office.
2. If it is not complete as to unit price, amount, and suggested vendor, then the purchasing clerk contacts various suppliers and obtains prices, terms, and availability of goods or services. This information is documented on the back of the Requisition or other work sheet. It is from this information that the supplier with the most competitive prices and most beneficial terms is selected. The Requisition is then completed as instructed.

3. As soon as the purchasing clerk has a completed Requisition and it has been approved they select the appropriate program budget file from the computer memory on their terminal screen. It will show the balance remaining to spend in each expense category.

(a) If funds are available in the expense category which will be charged when this order is recorded then an AE is prepared as instructed.

(b) If the budget expense category has a negative balance or if it would end up with a negative balance after posting this order then a determination must be made regarding a budget modification.

(c) If an in-house modification can be made then an AE is completed as instructed and the modification is made.

(d) If an in-house modification cannot be made then the Requisition is rejected until a modification is approved by the agency funding this program.

(e) If the agency approves this modification then an AE is completed when its effective date is established but not until.

(f) If the funding agency declines to modify the budget then the Requisition is voided and the yellow copy is returned to the requesting department with the appropriated explanation. The original would be filed in the purchasing office in a "Voided Requisition" file.

4. When an AE (PS-3) is complete it is attached to the Requisition and submitted for approval.

5. The person authorized to approve the AE should be able to determine the validity of the order from the attached information. If there are any questions regarding the AE they must be resolved before the AE is signed.
6. The Authorized Expenditure is specifically reviewed to make sure that:
  - (a) The order is clearly described and explained,
  - (b) the accounting codes are correct,
  - (c) the Requisition is properly approved.
7. The AE (PR-3) is then approved or disapproved and returned to the purcahsing clerk who then makes the determination to call the order in, have the requesting department call it in, or not to call it in.

If it is called in then the AE should be marked "Confirming Phone Order" and signed by the person calling in the order. All AE's will be mailed to the vendor.
8. If the AE is disapproved, it is voided with an explanation as to why it was disapproved, before it is separated.
9. When void AE's are separated, all copies are destroyed, except:
  - (a) The green copy is attached to a copy of the Requisition and returned to the requesting department with an explanation as to why the AE was voided.
  - (b) The goldenrod copy is filed in the numerical file.
10. When the AE is separated, copies are sorted as follows:
  - (a) The original is set aside into one group.
  - (b) The green copy is set aside and sorted by program.
  - (c) The yellow copy is attached to the original copy of the Requisition.

- (d) The pink copy is attached to the yellow copy of the Requisition.
  - (e) The goldenrod copy is sorted numerically with the smallest number on top.
11. When the AE's have been segregated into appropriate stacks they are routed as follows:
- (a) The originals are mailed to the vendors.
  - (b) The green copy is sent to the requesting department.
  - (c) The yellow copy is temporarily filed with the pink copy in the "Incompleted Order" file.
  - (d) The pink copy is filed in the "Incompleted Order" file alphabetically.
  - (e) The goldenrod copy is temporarily set aside until all other copies have been routed or filed.
12. After all copies have been disposed of the purchasing clerk takes the goldenrod copy and completes the AE Data Entry Form as per instructions.
13. When the AE Data Entry Form is completed, the purchasing clerk makes a copy of it and files that copy in the numerical copy file. The original is forwarded to the data entry clerk. The goldenrod copy is resorted numerically with the largest number on top and filed in the "AE Numerical File".

#### Section IV - Receipt of Goods and Services Procedure

When goods or services are ordered by the purchasing office a Contractual Agreement has been entered into between the supplier of those goods and services and the QIN. It is the commitment of the supplier to deliver the goods or services and the commitment of the QIN to pay the supplier the agreed upon price after the goods or services have been delivered. Therefore, it is important to make sure the receipt of

whatever has been ordered be documented as received before the suppliers invoice is paid. This is accomplished by establishing a Receipt of Goods and Services Procedure.

Goods and services must be received before a purchase invoice is paid and an expense recorded. Because goods are delivered differently than services the Receipt of Goods and Services Procedures have been divided into two parts:

1. Receipt of goods,
2. Receipt of services.

Goods are defined as tangible articles or commodities purchased from a supplier for use or consumption.

Services are defined as those things provided by an individual or business enterprise which, because of their efforts, benefit the QIN.

The following procedures apply to the receiving of all goods and services that when received will complete the order and when the supplier submits an invoice it will be paid with one check.

#### Procedure - Receipt of Goods

The procedure for the receipt of goods is subdivided in the following sections:

- A. Goods delivered to a central location, tribal annex.
- B. Goods delivered to program location.
- C. Goods picked up at suppliers location.

#### A. Goods delivered to central location:

1. If goods are delivered by a freight company the receiving clerk will examine the condition of the cartons or items being delivered.
2. If the physical condition does not show any signs of damage then the number of units being delivered is verified to the freight bill.

3. If both the condition of the items and the number of units being delivered are okay then the freight bill is signed.
4. If there is apparent damage or missing units it is noted on the face of the freight bill and then it is signed by the receiving clerk.
5. When goods are delivered by UPS they are inspected in the same manner as if they were delivered by the freight company. The same procedures would apply except the receiving clerk would sign the UPS drivers delivery log instead of a freight bill. They would also physically open any damaged carton and inspect its contents.

(a) If the items are damaged the shipment is refused. The driver is informed that the shipment should be returned to the supplier and the receiving clerk will not sign the driver's delivery log. The purchasing clerk is informed that the order was received but returned to supplier because of damage. The purchasing clerk would then contact the supplier directing them to reship the order as soon as possible. No additional paper work is involved.

(b) If only part of the items are damaged the shipment may be accepted by making appropriate notation on the drivers delivery log. The receiving clerk then signs the driver's delivery log. The purchasing clerk is notified of the damage and contacts the supplier. The supplier is instructed to reship the items damaged and to file a loss claim with UPS. This procedure does require that a new AE be made out to that supplier for the items damaged. That AE would be processed in the same way as if it were a back order.

6. When goods are received by mail they are delivered to the receiving clerk at the tribal annex by the person responsible for disbursing mail. If the item is damaged it is set aside, and the receiving clerk notifies the purchasing clerk to contact the supplier and inform them of the damage. The supplier is instructed to reship the order as soon as possible. There is no additional paper work required. The supplier will instruct the purchasing clerk how to handle the damaged items, either by returning or disposing of them. These instructions would then be out.
7. When goods are delivered directly by the supplier's own vehicle, each item being delivered, is checked off the packing list. If items are not there or are different than what is shown on the packing slip it is noted. When all items are checked in and all exceptions are properly noted the receiving clerk will sign the drivers delivery ticket. The clerk in this case is only signing for those items actually received and free of damage.
8. When goods have been delivered and suppliers delivery receipt has been signed by the receiving clerk it is checked in.
9. To check in goods which have been received the clerk opens all packages and cartons.
10. The contents are then examined for damage, that the items are in fact what was ordered and in the same quantities.
11. If the order is okay a Receipt of Material Form (PS-4) is completed as per instructions.
12. If they are not, the exceptions are noted on the packing slip or the Receipt of Material Form (PS-4), if there is no packing slip.

13. After the proper notations are made regarding damage, items or quantities, the Receipt of Material Form (PS-4) is completed as per instructions.
14. When the Receipt of Material Form (PS-4) is complete it is attached to all shipping documents relating to that order. (These documents will generally be only a packing slip but also referred to copies of freight bills, bills of lading, etc.).
15. The Receipt of Material Form (PS-4) is held in the "Orders Received" file until delivery is made of them to the requesting department.
16. The receiving clerk contacts the department requesting the goods and informs them that their order has been received from the supplier and at that time makes arrangements for it to be delivered or picked up.
17. When the goods are delivered to the appropriate place, an authorized program person will receive it and sign the Receipt of Material. The yellow copy is detached and given to the person receiving goods.
18. If an authorized program person picks up the order at the tribal annex the Receipt of Material (PS-4) is signed and the person picking up the goods receives the yellow copy.
19. After the goods have either been delivered or picked up the Receipt of Material Form (PS-4) along with all shipping documents is forwarded to the purchasing clerk.
20. The purchasing clerk matches the Receipt of Material (PS-4) with the AE which is in the "Incomplete Order" file. It is then attached to the yellow and pink copy of the AE. It stays here until the suppliers invoice is received.



21. If any item is back ordered by the supplier or if items ordered are shipped short the purchasing clerk will:
  - (a) Contact the requesting department and see if the items not shipped are still needed,
  - (b) contact the supplier and inform them of how to handle the back orders or short shipments.
22. If the items that are short are to be back ordered then a new AE is issued for those items.
23. When the new AE is issued the purchasing clerk make a bold notation on the face of the new AE.

BACK ORDERED FROM A.E.#\_\_\_\_\_

At the same time the clerk make a cross reference note on the yellow and pink copies of the original AE.

BACK ORDER SEE A.E.#\_\_\_\_\_
24. If it is necessary to contact the supplier for any reason, that is done before the purchasing clerk submits the AE for approval.
25. If it is disapproved it is voided and the same procedures apply as if it was for any other voided AE.
26. If it is approved, the same procedures would apply as if it were an ordinary AE, except that a copy of the shipping document showing the short items would be attached to the same AE copies that the copies of the requisitions are attached to, then the original backorder AE is destroyed.
27. The original AE would be processed as a completed order when the suppliers invoice was received.

B. Goods delivered to program location:

1. When goods are delivered directly to a program location by a freight company or by the suppliers own truck, all of the

same procedures apply as if they were being delivered to the tribal annex.

2. The program person receiving the delivery must document any damage and complete a Receipt of Material Form (PS-4) in the same way the receiving clerk does in the previous procedures.
3. After the Receipt of Material Form (PS-4) is completed and signed the person receiving the goods detaches the yellow copy and attaches the original and pink copy to the shipping documents.
4. The Receipt of Material Form (PS-4) is then forwarded to the purchasing office where it is matched up with the AE.
5. It is held in the "Incomplete Order" file until the suppliers invoice is received.

C. Goods picked up at suppliers location:

1. The receiving clerk is the person who has the responsibility to pick up orders at the suppliers location.
2. When goods are picked up they are compared against the order if they haven't been packaged.
3. The receiving clerk will sign for the items and receive a copy of the invoice or a packing slip verifying what was ordered and picked up.
4. If the goods are already packaged the receiving clerk will sign for the number of packages being picked up without examining each item.
5. After the goods are picked up they are delivered directly to the program location or to the tribal annex.
6. If the goods are delivered to the program and the person receiving the items is the person responsible to receive

goods or services for the requesting department then they prepare the Receipts of Material Form (PS-4).

7. If the person receiving the goods is not the person responsible to receive goods or services for the requesting department then they sign for the items being delivered and the signed shipping documents are forwarded to the department person who is responsible to receive goods and services. They then complete the Receipt of Material Form (PS-4).
8. When the Receipt of Material Form (PS-4) is completed it is signed by the person making it out who then detaches the yellow copy and attaches the other copies to the shipping documents and forwards it to the purchasing office.
9. If a program person picks up the order at the suppliers location for their own program, the procedures outlined above are followed. The program person is responsible for forwarding the signed shipping documents to the department person responsible for preparing the Receipt of Material Form (PS-4).
10. If the receiving clerk picks up the order and takes it to the tribal annex the Receipt of Material Form (PS-4) would be completed there.
11. When the Receipt of Material Form (PS-4) has been completed the department requesting the order is contacted, the goods delivered and signed for, and the Receipt of Material Form (PS-4) is forwarded to the purchasing office.
12. If any person, other than the receiving clerk, picks up an order from a suppliers location for any program other than their own, the order is delivered to the tribal annex. Then it is processed by the receiving clerk as if they had picked up the order themselves.

### Procedure - Receipt of Services

In these procedures, only those services which are requested by the program and do not involve a Personal Service Agreement, a Contractual Agreement, or a Construction Contract, are considered.

1. When services are requested by a program for repairs or maintenance of vehicle, equipment or building it must be approved by the Property Management Office. The procedures that must be followed for this approval are outlined in the Property Management Section of the Procedure Manual.
2. When the repairs or maintenance has been completed, the individual or business firm doing the work will present a "work order" that itemizes what services were performed.
3. The work order is then signed by an authorized tribal employee who has been delegated this responsibility.
4. The employee will receive a copy of the work order. It is important to note that this copy of the work order is often the actual invoice which becomes the supporting document for payment.
5. If the repair or maintenance has been performed at the vendor's place of business the vehicle or equipment will be released to their custody when the vendor's work order is signed.
6. The employee signing the work order will then deliver the vehicle or equipment to the department requesting the service.
7. If the person delivering the vehicle or equipment to the requesting department is not the person responsible to receive goods and services for that department, then that person who is responsible for receiving goods and services signs the vendor's work order.

8. The person delivering the vehicle or equipment then forwards the vendor's work order to the purchasing clerk, who makes two extra copies of it and completes a Receipt of Services Form.
9. When the Receipt of Services Form is completed it is separated and each copy is attached to a copy of the vendor's work order.
10. The yellow copy is then forwarded to the requesting department and the original and pink copies are matched with and attached to the AE's, which are filed in the "Incomplete Order" file.
11. If the person delivering the vehicle or equipment to the requesting department, is the person responsible for receiving goods or services for that department, then they will complete the Receipt of Service Form as per instructions.
12. When the Receipt of Services Form is complete, two copies of the vendor's work order are made.
13. The yellow copy of the Receipt of Services Form is then detached and attached to a copy of the vendor's work order and retained by the requesting department.
14. The Receipt of Services is attached to the work order and forwarded to the purchasing clerk.
15. When the purchasing clerk received the Receipt of Services Form they match it up with the AE in the "Incomplete Order" file.
16. When the repairs or maintenance have been performed on-site the work order is signed when the work is complete.
17. The person signing the work order then follows the same procedures as outlined above.
18. When other types of services are requested that do not require the Requisition Form to be approved by the Property Management Office the verification that the services have been received are handled as follows:

(a) Advertising:

- (1) When the purchasing clerk receives a request to place an advertisement with a newspaper or other publisher they inform the publisher to submit to the Purchasing Office a certified copy of the ad which will include what the ad said and when it was run.
- (2) When the certification is received it is forwarded to the purchasing clerk who will then complete the Receipt of Services Form.
- (3) All other procedures are the same in regards to what happens with the Receipt of Services Form.

(b) Freight Collect:

- (1) When a vendor ships any goods to the Quinault Indian Nation and the tribe has to pay the shipping charge, the freight bill is marked collect. This is not the same as C.O.D. The freight company will then bill the tribe for these shipping charges after the goods are delivered. By law freight bills must be paid within seven days.
- (2) When goods are delivered by a freight company they are received as previously discussed.
- (3) After the freight bill has been signed the receiving clerk checks it to see if the goods have been shipped collect or prepaid.
- (4) If the goods are shipped prepaid or collect the receiving clerk processes the copy of the freight bill as explained in the Receipt of Materials Procedure except they make three extra copies of freight bills marked collect and forward all three copies to the purchasing office at that time.

- (5) When the purchasing clerk receives the copies of the freight bill they write out an AE to the freight compnay. This is one of the few exceptions when a requisition is not required to support the issuing of an AE. The copy of the freight bill is treated as if it were the requisition. No Receipt of Services Form is required either.
- (6) When the AE is completed it is separated and processed the same way as any other AE except that the original is destroyed and not mailed to the vendor.

(c) Laboratory Fees:

- (1) Laboratory fees are handled the same way as advertisements with the test results being forwarded to the Purchasing Office.
- (2) If the tests are performed on-site and the test results are documented by the person doing the test. Then the tribal employee responsible for verifying that the test were completed must forward the test documentation to the Purchasing Office.
- (3) Then the purchasing clerk would complete the Receipt of Services Form and follow all other procedures as outlined above.

(d) Equipment Rentals:

- (1) After rental equipment has been ordered it is the responsibility of the person using the equipment to verify that the equipment has been received and how long it was used.
- (2) If the equipment is rented from a vendor who delivers the equipment to the Quinault Indian Nation, the

receipt of this equipment is processed the same way that all other goods being received are handled.

- (3) After the equipment is received and delivered to the person who will use it they become responsible to verify how long the equipment was used.
- (4) When the person using the equipment is finished with it they will return it to D.O.A. or make arrangements to have it returned to the supplier through D.O.A.
- (5) When the equipment is returned the vendor will require a receipt of some kind to be signed by the person returning the equipment. This receipt verifies for the vendor how long the equipment has been used.
- (6) The person signing this receipt keeps a copy which is their proof that the equipment was returned.
- (7) If the person receiving the copy of the vendor's receipt is the person responsible to receive goods and services for the department using the equipment then they would complete the Receipt of Services Form and process it like any other.
- (8) If the person receiving the copy of the vendor's receipt is not the person responsible to receive goods and services for that department then they forward it to the Purchasing Office.
- (9) When the purchasing clerk receives the vendor's receipt they complete the Receipt of Service Form and process it like any other.
- (10) If the equipment is to be picked up at the vendor's place of business the person receiving the equipment will have to sign a release receipt. This document



is the vendors's verification that the equipment has been delivered.

- (11) If the equipment is picked up by the person responsible for receiving goods or services for the requesting department then they will deliver the equipment to the person who will use it and then complete a Receipt of Materials Form following the same procedure as if receiving any other type of goods.
- (12) If the equipment is picked up by a person not responsible for receiving goods or services for the requesting department then they will deliver the equipment to the person who will use it, have them sign for it as being delivered and then forward this documentation to the Purchasing Office.
- (13) The purchasing clerk will complete the Receipt of Services Form and process it like any other.

#### Section V - Approving Payment Procedure

When an order is placed with a vendor a Contractual Agreement is entered into between the Quinault Indian Nation and the supplier of those goods or services. The supplier has fulfilled their part of that contract when they deliver the items ordered to the QIN according to the terms of the agreement. The tribe fulfills its contractual obligation when they pay the vendor's invoice submitted for those goods or services delivered. It is critical that the proof of delivery be verified before the suppliers invoice is paid. This procedure addresses that verification.

#### Statement

The purchasing office coordinates the ordering and receiving functions of the purchasing system. It is therefore an easy task to process all vendor's invoices through the purchasing office and make that office responsible for verifying

that the goods or services being invoiced have actually been received and properly ordered. With this documentation the invoice can be processed for payment.

Procedure:

1. All vendor's invoices are submitted to the purchasing office.
2. When the purchasing clerk receives a vendor's invoice they look for the matching AE in the "Incomplete Order" file.
3. If the AE is supported by a Receipt of Material Form (PS-3) then the AE is pulled.
4. When the AE is pulled a Voucher Apron Form (AP-1) is headed up showing the vendor's name, address, city, state, and zip code.
5. Then the purchasing clerk verifies:
  - (a) That the terms, the items ordered, the quantities ordered, and the prices on the vendor's invoice agree with the AE,
  - (b) that the items were received as ordered.
6. If they agree then the purchasing clerk initials the appropriate boxes on the Vouchers Apron, namely,
  - (a) Terms and prices,
  - (b) material or services received.
7. If the quantity received is different than the quantity shown on the invoice it is changed to agree with what was actually received and the amount owed is recomputed.
8. If the price is higher than that shown on the AE the purchasing clerk contacts the supplier for an explanation. Any increase in prices must be approved by the person authorized to sign off on AE's.
9. If the price increase is approved the invoice is processed for payment at the new price. If it is disapproved the computation on the suppliers invoice is changed to reflect the price shown on the AE.

10. When the vendor's invoice is verified as to price, quantity, and delivery the purchasing clerk attaches the Voucher Apron to the original vendor's invoice. The invoice then would be supported by the yellow copy of the AE, the original copy of the Receipt of Material, the original copy of the Requisition, and all supporting documents for those forms.
11. The vendor's invoice would be forwarded to the Accounting Office for payment and all other copies of the supplier's invoice are destroyed.
12. The pink copy of the AE is attached permanently to the pink copy of the Receipt of Materials, and the yellow copy of the Requisition.
13. The pink copy of the AE is then marked "Complete" and filed alphabetically in the "Completed Order" file.
14. If an invoice is received from the supplier before the goods or services have been received it is held in the "Incomplete Order" file attached to the AE which approved the order.
15. It is held here until the goods or services have been delivered.
16. When the receipt of goods or services have been verified then it is processed as outlined above.